

Mr. M. L. Black, Officer in Charge,
Economic Organization Affairs,
Bureau of European Affairs
XXXX Department of State
THRU : Chief, Intelligence Information Staff, OER
FROM : Deputy Chief, Economic Research Area, OER
ECE Energy Study

REFERENCE: Your Memorandum dated 3 March 1958, subject as above.

1. Your courtesy in sending the referenced memorandum explaining the Department's views with respect to the ECE Energy Study is much appreciated. It is understood that these views are based on two principal considerations: a) the belief that certain aspects of the study may prove troublesome from a foreign policy standpoint, and b) that the data submitted thus far by the Soviet Bloc falls short of that provided by the West.
2. With regard to the first point we of course defer to the Department's judgment, since it is a problem entirely within your competence. As to the usefulness of the Soviet data, however, a matter in which we have a more direct interest, it may be of interest to you to have our views now that we have had more time to review the situation.
3. It is not surprising that our evaluation of the data received in connection with the preparation of the ECE study is different from that of the Department. For one thing, we have focused our examination only on information relating to the Bloc, practically to the exclusion of that relating to Western Europe. Moreover our reaction is conditioned heavily by the extent to which the new material enables us to fill gaps in the picture we already have developed from other sources. The question of whether the answers submitted by the Soviets and Satellites are comparable to those provided by the Western countries is naturally of less interest to us, given OER's mission, than the question of whether those answers which were supplied are useful from the intelligence point of view.
4. Viewed in this light, the information which has become available as a result of the ECE study has been undeniably helpful. In a number of cases, moreover, the significance of new information has been substantial. (In this connection, the information contained in Geneva's Despatch 256 of January 11, 1957 mentioned in the last paragraph of your memorandum was in direct response to the Secretariat questionnaire and hence must be regarded as having come out of the energy study.) Admittedly, large holes are in it because of failure of the Soviets to submit full answers to the questionnaire. The presentation of the report also suffers from the failure of the Secretariat to distinguish clearly, in many cases, between primary information and staff estimates. In this connection another unfortunate omission is any discussion of the methodology by which various estimates have been arrived at. This last, of course, would need to be available before a serious evaluation of the professional merits of the overall study could be made.

5. Having said all this, however, the upshot is that our attitude is one which does not appear to conflict with the position taken by the Department, if the meeting is held. In this event, which we understand appears likely, we too would prefer to see the discussions confined to the data. Questions of policy aside, there are strong economic intelligence arguments for seeking answers to questions so far unanswered and for attempting to clarify numerous questions of methodology concerning the estimates included in the report. We also share the view that such a meeting would be a useful opportunity to exert further pressure on the Communist countries for more equal participation in such studies as this one.

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~~SECRET~~TO : CIA - [REDACTED], Chief
Economic Research ORR.

DATE: 3 March 1958

FROM : Department of State - Mr. Myron L. Black, *mlb*
Officer in Charge,
Economic Organization Affairs,
Bureau of European Affairs.*Room 7222*
New State~~SUBJECT~~

Subject: DCE Energy Study

Reference: Memorandum dated 28 February addressed to you from the Chief, Fuels and Power Branch (ORR).

The Department of State appreciates your making available a copy of the reference memorandum. It is recognized that this analysis was prepared on short notice which precluded the inclusion of qualifications and evaluations which additional time might have permitted.

As you will have noted from the Department's recent telegram to Paris (TOPOL 3110 March 1) we are endeavoring to muster Western European support through the OEEC for a deferral and possible abandonment of the meeting of experts now scheduled for March 20 in Geneva. If the meeting is held as scheduled, the Department is attempting to confine its discussions to a review of the adequacy and comparability of the data submitted. It is by no means certain that our view in this respect will prevail. The position the Department has taken thus far rests not only on certain aspects of the energy study which we believe will prove to be very troublesome from a foreign policy standpoint if consideration were to proceed in an East-West forum (e.g. joint financing and construction of nuclear power stations, pipelines, tanker fleets, etc.) but also on our view that the data relating to the Soviet bloc as a whole falls far short of that provided by the West. In view of the conclusion in the reference memorandum that continuation of this study will serve as a valuable source for the intelligence community and that the present version of the energy study contains new data unavailable from other sources, further elaboration of the basis for the Department's attitude toward the inadequacy of Soviet bloc data may be of interest to you.

It may be that the present version of the energy study contains a few isolated and official Soviet bloc statistics unavailable elsewhere. For the most part, however, it is the Department's impression that even in cases where specific Soviet bloc figures are incorporated in tables, the source and reliability of such figures is doubtful. Attached to this memorandum is a selection of quotations from the text of the energy study indicating the basis for this interpretation. Moreover, the Department has endeavored to assess the adequacy of Soviet bloc data in relation to that supplied by Western countries, since the original mandate for initiation of this study specified that "...statistical, economic, and other relevant data necessary for the preparation of such a review will have to be made available to the Secretariat on a comparable basis for all parts of Europe", requested the Secretariat to "...call on participating Governments to provide the information necessary for preparation of this review...(and to) prepare and distribute the review when the necessary information on an all-European basis has been provided." The numerous gaps in Soviet bloc

data

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data apparent from both the tables and the text of the report indicates Soviet bloc performance falls far short of the conditions specified in 1956. Experience with this exercise to date, as well as the bulk of ECE activities in the past, casts doubt on the likelihood of extracting full Soviet bloc energy data even if the study is pursued.

With regard to the points mentioned in the reference memorandum as new data available as a result of the study in its present form, your attention is invited to Geneva despatch 256 of January 11, 1957 which contains the same information on Soviet solid fuels. With regard to Soviet consumption of refined products, the text of the energy report (see attached extracts) seems to undermine the reliability of such figures as are included in the tables.

Attachment:

Extracts from text of ECE energy study.

cc: FSD - Mr. Nelson
OES - Mr. Belakos

EUR:RA:WECulbert:mdw

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